

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

PENSION FUND COMMITTEE

Minutes of the meeting of the Pension Fund Committee held at The Pavilions, Clydach Vale on Wednesday, 18th January 2017 at 2 p.m.

PRESENT

County Borough Councillor M.A.Norris – in the Chair

County Borough Councillors

G. Hopkins, G. Smith and E. Webster

Officers in Attendance

Mr. C. Lee – Group Director, Corporate & Frontline Services

Mr. I. Traylor – Head of Pensions, Payroll & Payments

Mrs. S. Davies – Head of Education & Financial Reporting

16 APOLOGY

An apology of absence was received from County Borough Councillor S. Pickering.

17 DECLARATION OF INTERESTS

Members had no declarations of personal interests to declare in matters pertaining to the agenda (other than as members of the LGPS which was noted as being not a conflict insofar as the role of the Committee was concerned).

18 MINUTES

RESOLVED – To approve as an accurate record the minutes of the meeting of the Pension Fund Committee held on the 27th October 2016

19 LEARNING AND DEVELOPMENT

The Head of Pensions, Payroll and Payments presented an overview of the Reporting Breaches Policy under the heading Learning and Development in conjunction with the Regulatory Breaches Policy (a copy of which had been circulated with the agenda). He explained that on the 1st April 2015 the Pensions Regulators Code of Practice 14: Governance and Administration of Public Services Pension Schemes came into effect.

Committee was provided with information in respect of the process for reporting potential breaches of the law and advised of their responsibility as the Pension Fund Committee to report such breaches. It was confirmed that the Section 151 Officer has overall responsibility to coordinate and submit the

report in respect of the breach. The Head of Pensions, Payroll and Payments outlined the Pension Regulator's traffic light framework which should be used to determine whether a breach should be reported.

A number of examples were referred to within the report to assist Members determine the cause, effect, reaction and wider implications of a potential breach.

It was confirmed that Committee Members have now been incorporated into the skills and knowledge framework and any outstanding training certificates would be sought by the Head of Pensions, Payroll and Payments.

It was **RESOLVED**:-

1. To note the Breach Policy responsibilities; and
2. That the Head of Pensions, Payroll and Payments follows up any outstanding training certificates

20 REVIEW OF GOVERNANCE AND STRATEGY DOCUMENTS

Under the heading Governance and Strategy Documents, the Head of Pensions, Payroll and Payments presented the Funding Strategy Statement for Rhondda Cynon Taf County Borough Council Pension Fund. Committee was advised that the Statement has been prepared in accordance with Regulation 58 of the LGPS Regulations 2013 (as amended) and reflects the new CIPFA guidance on 'long term cost efficiency, Members were asked to form a view on the Funding Strategy Statement since its last revision in 2013.

Committee was apprised of the contents of the Statement which includes two key revisions namely the stepping arrangements, which gradually increase/decrease the employer contributions in three equal annual steps and the amended recovery period from 25 to 22 years which has been set by the Fund Actuary in consultation with the Administering Authority.

During the ensuing discussion the Head of Pensions, Payroll and Payments responded to a query to clarify that the three year valuation cycle is set for the LGPS scheme. Committee were advised of the new Section 13 requirement by the Department of Communities and Local Government (DCLG), which aims to review the solvency of LGPS Funds through a number of measures. . DCLG have commissioned the Government's Actuary Department (GAD) to produce the Section 13 report during 2017/18, the results of which will be presented to a future Committee.

Following consideration of the report it was **RESOLVED** to agree the Funding Strategy Statement going forward.

21 DELEGATED FUNCTIONS

Investment Performance

Under the heading Investment Performance the Head of Education & Financial Reporting reported that the recent panel meeting had considered the investment performance to the end of September 2016. Members' attention was drawn to the summary of performance relative to the Fund specific benchmark.

An overview was provided in respect of the positive 3 year performance of the fund as compared to benchmark and performance for the last quarter ahead of benchmark. The Head of Education & Financial Reporting outlined the matters that had been dealt with at the Advisory Panel held in November 2016 in respect of the Fund's two UK high Alpha Managers, namely Blackrock and Invesco Perpetual. Members were assured that the performance of the Fund Managers would be monitored closely over the coming months.

Administration Issues

The Head of Pensions, Payroll and Payments outlined the key administration issues for consideration such as the request from Welsh Government to amend the way in which the closed former Welsh Development Agency (WDA) admitted liabilities are treated. Following legal and actuarial advice the details of the response to Welsh Government were provided.

Pension Board

The Head of Pensions, Payroll and Payments provided an update in respect of the Pension Board and confirmed that the next meeting will be held on the 9th February 2017. Members were advised that the Agendas and Minutes relating to the Pension Board are now published on the Fund's website in accordance with the requirements of the Pension Regulator.

It was **RESOLVED** to note the issues addressed within the report

22 PENSION FUND RISK REGISTER

The Head of Education & Financial Reporting presented the report of the Group Director, Corporate & Frontline Services in respect of the Pension Fund Risk Register.

Members of the Committee reviewed the Risk Register and the Head of Education & Financial Reporting provided comments on the changes in risk rating as at November 2016. Two risks were highlighted as requiring Committee's attention. It was confirmed that an update would be provided in respect of the changes at the next Pension Fund Committee.

It was **RESOLVED** to note the arrangements in place for the management of risk by the Pension Fund.

23 ACTUARIAL VALUATION

The Head of Pensions, Payroll and Payments provided a verbal update in respect of the recent Actuarial Valuation of the Pension Fund which is required to take place on a 3 yearly cycle. It was reported that the 2016 Valuation (with final results to be published in March 2017) has depicted a less positive outlook partly due to the fall in gilt yields, and overestimation of the take up of the 50/50 facility which was introduced in April 2014, resulting in a pressure on contribution rates. However, it was confirmed that the funding level at the 2016 Valuation has improved from 78% to 81% and the Section 13 comparison commissioned by the DCLG suggests a funding level of 92% on a standardised assumption basis.

Committee **RESOLVED** to note the update.

24 ALL WALES POOLING

The Group Director, Corporate & Frontline Services provided a verbal update to Committee in respect of progress being made towards developing LGPS investment pooling arrangements on an all Wales basis.

It was stated that the Local Authority has received a formal response from the Minister for Communities and Local Government in respect of its detailed submission to confirm its part in the All Wales Pooling arrangement. The Group Director outlined the next steps which involve progressing the procurement phase to appoint a third party operator and progressing the legally binding Inter Authority Agreement between the Administering Authorities. There would be a requirement for the arrangements to be formally agreed at the respective Council meeting of the eight individual Local Authorities (at the Full Council of Rhondda Cynon Taf Council to be held on the 1st March 2017). Committee was advised that there may be a requirement for the Pension Fund Committee to convene a special meeting in February 2017 to receive the updated report.

Committee **RESOLVED** to note the update

**M.A.NORRIS
CHAIRMAN**

The meeting terminated at 3.30 p.m.